Canada

Prince Edward Island

CANADA-PRINCE EDWARD ISLAND

SUBSIDIARY AGREEMENT ON AGRI-FOOD DEVELOPMENT 1984-1989

A P P E N D I X A

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SUBSIDIARY AGREEMENT ON AGRI-FOOD DEVELOPMENT 1984-1989

THIS AGREEMENT made this day of , 1984

BETWEEN: THE GOVERNMENT OF CANADA (hereinafter referred to as "Canada"), represented by the Minister of Agriculture

OF THE FIRST PART

AND: THE GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND (hereinafter referred to as "the Province"), represented by the Minister of Agriculture

OF THE SECOND PART

WHEREAS Canada and the Province have signed an Economic and Regional Development Agreement (hereinafter referred to as the "ERDA") dated , 1984, to achieve the following objectives:

i) to stabilize and diversify the economic base of the Province and its communities in order to encourage balanced economic growth and to make the Province's economy less vulnerable to changes in world market conditions;

ii) to stimulate economic growth in the Province and thereby increase provincial self-reliance, create additional employment and income opportunities and enhance the Province's contribution to the national economy;

iii) to better utilize the human resources of the Province in order to provide its economy with increased flexibility to meet changing economic conditions and to maximize employment opportunities.

AND WHEREAS pursuant to Section 36 of the Constitution Act, 1982, Canada and the Province are committed to furthering economic development in order to reduce regional disparity;

AND WHEREAS Canada and the Province intend to cooperate in the implementation of appropriate federal and provincial measures for the economic and regional development of the Province and, by this Agreement, to provide a general framework for the coordinated planning and implementation thereof;

AND WHEREAS the Governor in Council by Order in Council, P.C. of the day of , 1984, has authorized the Minister of Agriculture of Canada to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council, by Order in Council No. of the day of , 1984, has authorized the to execute this Agreement on behalf of the Province;

NOW THEREFORE the parties hereto mutually agree as follows:

1. DEFINITIONS

1.1 In this Agreement:

a) "MANAGEMENT COMMITTEE" means the committee established pursuant to subsection 3.1 of the Agreement;

b) "BASE LINE DATA" means the sum of data required to undertake an evaluation;

c) "COST-SHARED" means that for which pursuant to this agreement the Province is responsible and accountable for its implementation and for which costs are assumed by both parties;

d) "DIRECTLY DELIVERED" means that which pursuant to this Agreement either one of the parties alone is responsible and accountable for its implementation and for which costs are totally assumed by the party responsible and accountable;

e) "ELIGIBLE COSTS" means those costs outlined in the Financial Provision subsection 5.10;

f) "FEDERAL MINISTER" means the Minister of Agriculture of Canada and includes anyone authorized to act on his behalf;

g) "FEDERAL REPRESENTATIVE" means the Director, Agriculture and Food Development, Prince Edward Island, of the Regional Development Branch of Agriculture Canada and/or any other representative(s) designated by the Federal Minister;

h) "FISCAL YEAR" means in the year of execution of this Agreement commencing on the date of execution and terminating on the following March 31, and subsequently on April 1, of every year thereafter and terminating on March 31 of the immediate following year, during the term of this Agreement;

i) "MINISTERS" means the Federal Minister and the Provincial Minister;

j) "PROGRAM" means a principal component of this Agreement as outlined in Schedule 'B';

k) "PROJECT" means any specific activity which by itself or together with other activities emanates from a program or a part thereof;

l) "PROVINCIAL MINISTER" means the Minister of Agriculture and includes anyone authorized to act on his behalf;

m) "PROVINCIAL REPRESENTATIVE" means the Deputy Minister of Agriculture and/or any other representative(s) designated by the Provincial Minister;

n) "TERM OF THIS AGREEMENT" means the period commencing on the execution date of this Agreement to March 31, 1989.

o) "DELIVERING PARTY" means a party which has the responsibility of implementing a Project hereunder.

2.0 PURPOSE, OBJECTIVES AND SUBJECT MATTER

2.1 The purpose of this Agreement is to enable Canada and the Province to implement the agri-food development programs described in Schedule 'B' in accordance with the objectives and strategy outlined in the Economic and Regional Development Agreement.

2.2 The primary objectives of this Agreement for Prince Edward Island are to:

a) improve net farm incomes;

b) increase employment and maximize the development of human resources in the agri-food sector;

c) increase value added in the agri-food sector;

d) improve the competitive position of the farm sector.

2.3 Canada and the Province agree to undertake the PROGRAMS described in Schedule 'B' pursuant to the objectives outlined in subsection 2.2.

3.0 ADMINISTRATION AND MANAGEMENT

3.1 A MANAGEMENT COMMITTEE (hereinafter referred as the COMMITTEE) will be established. Canada's membership on this COMMITTEE shall consist of two voting members including the Director of Agriculture and Food Development, Prince Edward Island, or his designate who shall act as a co-chairperson. The Province's membership on this COMMITTEE shall consist of two voting members including the Deputy Minister of Agriculture or a designate who shall act as the other co-chairperson. A senior official of the Ministry of State for Economic and Regional Development may be a non-voting member.

3.2 The COMMITTEE will be responsible for monitoring and reviewing the implementation of this Agreement to ensure that the objectives, strategy, content and intent set out in Schedule 'B' are followed and to fulfill responsibilities identified for the COMMITTEE elsewhere in this Agreement. The COMMITTEE shall report annually to the MINISTERS on PROGRAM activities undertaken and approved, and before each fiscal year in which this Agreement is in effect shall prepare a budget, a work plan and a communications plan for each of the party's DIRECTLY DELIVERED PROGRAMS and for the COST-SHARED PROGRAM.

3.3 The COMMITTEE may establish subcommittees to advise and assist it in its work; these subcommittees may include persons who are not members of the COMMITTEE.

3.4 Canada and the Province shall provide the COMMITTEE with all information necessary for the performance of its functions.

3.5 Ministers will meet at least annually to review progress of Agreement activities.

3.6 Decisions of the COMMITTEE shall be valid only if the co-chairpersons agree. In those cases where the COMMITTEE is unable to reach a decision, the relevant matter shall be referred to the MINISTERS. Where the MINISTERS, after consultation, agree on a decision with respect to the matter, that decision is final.

3.7 Where a Program is DIRECTLY DELIVERED, decisions regarding PROJECT approval under that PROGRAM and the use of its resources rest solely with the delivering party. The party delivering the PROGRAM shall keep the COMMITTEE informed on a quarterly basis of its decisions and allocation of resources under that PROGRAM. Within the confines of directly delivered programming, both parties will have a meaningful role in the operation of the Agreement through the MANAGEMENT COMMITTEE. The MANAGEMENT COMMITTEE will be able to review the general criteria for programming and recommend PROGRAM guidelines for the DELIVERING PARTIES.

3.8 Each COST-SHARED PROJECT under this AGREEMENT shall be submitted to the COMMITTEE for approval and shall be described in an appropriate document which shall include the PROJECT name and description, the purpose and objectives, an outline of how the PROJECT is to be carried out and progress reported, the start and anticipated completion dates, performance data as appropriate, and the total cost and the share of the cost to be borne by each of the parties involved.

3.9 The signature of both co-chairpersons shall be sufficient verification for the purpose of this Agreement of any recommendation or decision made or approval given by the COMMITTEE.

3.10 The COMMITTEE shall exist for the TERM OF THE AGREEMENT plus one FISCAL YEAR for the purpose of winding up the affairs of the Agreement.

4.0 IMPLEMENTATION PROCEDURES

4.1 This Agreement shall commence on and take effect from the date on which it has been executed and shall terminate on March 31, 1989, or on such earlier date as may be agreed to in writing by the MINISTERS. In the latter event, at least one full FISCAL YEAR'S notice shall be given in advance of such termination. No PROJECT may be approved after the termination date of this Agreement, and no PROJECT completion date shall extend beyond September 30, 1989, and no claim shall be paid by Canada after March 31, 1990.

4.2 Applications for financial assistance made to either party for any PROJECT commenced before execution of this Agreement will be considered ineligible for assistance.

4.3 During the TERM OF THE AGREEMENT, the Province will DIRECTLY DELIVER PROGRAMS as described in Schedule 'B'.

4.4 During the term of this Agreement, Canada will DIRECTLY DELIVER PROGRAMS as described in Schedule 'B'.

4.5 During the term of this Agreement, the Province shall be responsible and accountable for the management, administration and direction (hereinafter referred to as "delivery") of the COST-SHARED PROGRAM as described in Schedule 'B'.

4.6 The party responsible for the delivery of a PROJECT under a COST-SHARED PROGRAM agrees that the other party shall not be held responsible for the operation, maintenance and repair of capital items beyond the term of this Agreement, except in cases where other federal-provincial arrangements specifically apply.

4.7 All contracts respecting COST-SHARED PROJECTS shall be planned and awarded in accordance with procedures to be approved by the COMMITTEE; and, unless in its opinion it is impractical to do so, shall be let pursuant to tenders invited by public advertisement and awarded to the qualified and responsible tenderer who has submitted the lowest evaluated bid. All contracts and tenders will carry an acknowledgment of joint funding.

4.8 All announcements of COST-SHARED contract awards shall be made jointly by Canada and the Province.

4.9 Materials, machinery and equipment made in Canada and Canadian consulting and other professional services shall be used in respect of all PROJECTS to the extent to which it is procurable and consistent with economy and efficiency as determined by the COMMITTEE.

4.10 Each party shall acquire or arrange for the acquisition of lands or interests therein that are required for PROJECTS for which it has responsibility for delivery. Costs shall not be shareable.

5.0 FINANCIAL PROVISIONS

5.1 Subject to the terms and conditions of this Agreement and subject to the funds being made available by the Parliament of Canada, the contribution by Canada in respect of this Agreement shall not exceed $26M.

5.2 Subject to the terms and conditions of this Agreement and subject to funds being made available by the Legislative Assembly of Prince Edward Island the maximum contribution by the Province in respect of this Agreement shall not exceed $15M.

5.3 Contributions by Canada and the Province towards PROJECTS undertaken in accordance with the Agreement shall not exceed the following levels:

(a) in respect of the COST-SHARED PROGRAM, Canada $8M and the Province $2M;

(b) in respect of PROGRAMS DIRECTLY DELIVERED by Canada $18M and,

(c) in respect of PROGRAMS DIRECTLY DELIVERED by the Province $13M.

5.4 For ELIGIBLE COSTS incurred for COST-SHARED PROJECTS, Canada shall contribute 80 percent and the Province shall contribute 20 percent, and should there be any discrepancy between the amounts paid out by either party and the percentage of their total contribution as fixed herein, there shall be made a financial adjustment accordingly.

5.5 Canada and the Province shall manage their respective contributions to the PROGRAMS under this Agreement in such a manner as to ensure that, to the extent possible and with full regard to administrative, logistical, and other constraints, including decisions of the MANAGEMENT COMMITTEE or the MINISTERS, the contributions of the two parties are applied at similar rates over the term of this Agreement.

5.6 This Agreement and Schedules thereof may be amended in writing as agreed from time to time by the MINISTERS. It is expressly understood and agreed, however, that any amendments to subsections 5.1, 5.2 and 5.3 and any amendments that would alter the nature of programs described in Schedule B will require the approval of the Governor in Council and the Lieutenant Governor in Council.

5.7 The FEDERAL and the PROVINCIAL REPRESENTATIVES may make adjustments to the amounts allocated to DIRECTLY DELIVERED PROGRAMS and PROJECTS they are responsible and accountable for providing that the provisions of subsection 5.3 are met.

5.8 The FEDERAL and PROVINCIAL REPRESENTATIVES will review on an annual basis the levels of assistance being provided under all of the PROGRAMS described in Schedule 'B' to this Agreement; and if changes are deemed necessary, present a report and recommendations to their respective MINISTERS in respect of the action proposed to be taken.

5.9 If at any stage of a PROGRAM it appears that the costs thereof will exceed the estimated costs specified for any PROGRAM in Schedule 'A', the FEDERAL and PROVINCIAL REPRESENTATIVES will consider the circumstances which have contributed to the increase in the estimated costs in the respective PROGRAM(S) and will prepare and present a report and recommendation to their respective MINISTERS in respect of the action proposed to be taken.

5.10 ELIGIBLE COSTS of COST-SHARED PROJECTS are all costs that, in the opinion of the COMMITTEE, are reasonable in terms of PROGRAM guidelines to be established and will be properly incurred for the supply of goods and services in the performance of work for the delivery of any such PROJECTS, but do not include any costs in respect of the salaries and other related costs of any person having an employee-employer relationship with Canada or the Province, nor any fee for the use by either party of any capital assets which are the property or in the control of either party.

5.11 Subject to subsection 5.3, any cost overrun in excess of ELIGIBLE COSTS budgeted for a Cost-shared PROJECT may be deemed an eligible cost if approved by the Committee.

6.0 RECORDS, AUDIT, PAYMENT AND REVENUE PROCEDURES

6.1 Subject to subsections 6.2, 6.3 and 6.4, payments by Canada for COST-SHARED PROJECTS shall be made promptly to the Province on the basis of progress claims setting out the ELIGIBLE COSTS actually incurred and paid. Claims shall be submitted in a form satisfactory to the MINISTERS, certified by a senior officer of the Province and bearing an audit certificate and approved by the FEDERAL REPRESENTATIVE.

6.2 In order to assist with the interim financing of Canada's share of the COST-SHARED PROJECTS under this Agreement, Canada may, upon the Province's request, make

interim payments to the Province on a quarterly basis of Canada's share of claims submitted, based on estimates of costs actually incurred, certified by senior officers of the Province and approved by the FEDERAL REPRESENTATIVE.

6.3 The Province shall account for each interim payment received by submitting to Canada, no later than ninety days following the interim payment, a detailed statement of expenditures actually incurred and paid, submitted in a form and verified in a manner satisfactory to the MINISTERS, bearing an audit certificate and certified by a senior finance officer of the Province. Any discrepancy between the amounts paid by Canada by way of interim payments and the amounts actually payable shall be promptly adjusted between Canada and the Province.

6.4 No interim payment for cost-shared projects shall be made in a subsequent FISCAL YEAR until the interim payments made in the previous FISCAL YEAR have been liquidated by claims for expenditures actually incurred and paid, certified by a senior officer of the Province and bearing an audit certificate, and any outstanding balance of the payment has been repaid or accounted for in a form or in a manner satisfactory to the FEDERAL MINISTER.

6.5 The Province shall maintain proper and accurate accounts and records relating to the cost of COST-SHARED PROJECTS undertaken pursuant to this Agreement and shall make such accounts and records available at all reasonable times for inspection and audit by Canada for five years following the termination date of this Agreement.

6.6 Any discrepancy between the amounts paid and amounts actually payable as disclosed by the audit described in subsection 6.5 shall be promptly adjusted between the parties.

6.7 Any member of the COMMITTEE or his representative shall be permitted to inspect any COST-SHARED PROJECT at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the PROJECT which may be required by the FEDERAL MINISTER or the PROVINCIAL MINISTER.

6.8 Any monies received by the delivering party of a COST-SHARED PROGRAM from recovery of a contribution under the COST-SHARED PROGRAM shall be divided between Canada and the Province during the TERM OF THE AGREEMENT in the same proportions as the respective shared costs of Canada and the Province in that particular PROJECT.

6.9 When any equipment purchased or works constructed by the implementing party of a COST-SHARED PROJECT or PROGRAM for any purpose specified under this Agreement and to which the other party contributed its share of acquisition costs or construction costs are sold within five years after such acquisition or construction, the proceeds from the sale shall be divided between Canada and the Province in the same proportion as the contribution of Canada and the Province in that particular PROGRAM or PROJECT.

6.10 When any equipment purchased or works constructed by the delivering party of a COST-SHARED PROJECT or PROGRAM for any purpose specified under this Agreement are changed within five years after such acquisition or construction to a use incompatible with the intent of this Agreement, the delivering party shall pay to the other party an amount equal to the appraised market value of such capital PROJECTS at the time of the change in use, on the basis of the proportion paid by the other party of the original shared costs in the particular PROJECT.

7.0 EVALUATION

7.1 During the term of this Agreement and in no case later than the end of the FISCAL YEAR ending March 31, 1990, Canada and the Province shall jointly effect a mid-term and a final evaluation of the COST-SHARED PROGRAM listed in Schedule 'B' and Canada and the Province shall effect a mid-term and a final evaluation of their DIRECTLY DELIVERED PROGRAMS listed in Schedule 'B' with regard to their stated objectives. The Terms of Reference of these evaluations shall be determined by the COMMITTEE and shall include the preparation of recommendations for cooperation between Canada and the Province in agri-food development after the expiry of this Agreement. Each party shall provide the other with such information as may reasonably be required in order to undertake such evaluation. Upon completion of a COST-SHARED PROGRAM evaluation, it shall be submitted to the MINISTERS and may be published under their joint authority. Upon completion of a DIRECTLY DELIVERED PROGRAM evaluation, it shall be submitted to the responsible Minister who may publish it under his authority.

7.2 The Committee will effect an evaluation of this Agreement with respect to the general economic impact of this Agreement, including the human resource implication, to the end of 1990.

7.3 Within six months of the coming into force of this Agreement, a review of BASE LINE DATA shall have been

conducted by the COMMITTEE upon which an evaluation of the PROGRAMS and of the Agreement can be based and evaluation criteria shall have been established by the COMMITTEE.

7.4 Within six months of the termination of each FISCAL YEAR, a joint annual report regarding the progress of the PROJECTS undertaken during the said FISCAL YEAR and a review of the Agreement and its PROGRAMS shall be prepared by the COMMITTEE for the MINISTERS.

7.5 To assist in the preparation of reports pursuant to subsection 7.4, Canada and the Province shall each provide to the other, within three months of the end of each FISCAL YEAR, a report regarding PROJECTS delivered by each party, respectively.

8.0 PUBLIC INFORMATION AND PARTICIPATION

8.1 Canada and the Province shall cooperate in the planning, development and delivery of information PROGRAMS respecting the implementation of this Agreement.

8.2 All public information activities undertaken in connection with this Agreement by either or both parties shall clearly make reference to their being delivered under this Agreement and fully and fairly reflect the contribution of each party to the PROGRAM and PROJECT in question.

8.3 Each party shall be responsible and accountable for providing public information essential to the effective delivery of its DIRECTLY DELIVERED PROGRAMS and PROJECTS.

8.4 Each party shall keep the other fully informed on all public information activities planned under its DIRECTLY DELIVERED PROGRAMS and PROJECTS through any such mechanism as may be determined by the COMMITTEE.

8.5 Where PROGRAMS or PROJECTS are COST-SHARED, Canada and the Province agree to plan, develop and deliver information on such PROGRAMS or PROJECTS through any such mechanism as may be determined by the COMMITTEE. In such cases, Canada and the Province agree that:

a) all information, including contracts, tenders, advertising and PROJECT signs, shall carry an acknowledgment of joint funding and the nature or wording of that acknowledgment shall be as agreed upon by the MINISTERS;

b) the chief principle governing the display of either party's identity shall be its relative contribution to the PROGRAM or PROJECT.

c) all announcements shall be made jointly by the MINISTERS on a mutually agreed Canada/Province letterhead.

d) all press conferences and official ceremonies shall be arranged jointly and be subject to the approval of the MINISTERS;

e) The use of both official languages shall be mandatory for all information to the public only if Canada is contributing 50 percent or more to the costs of a PROGRAM or a PROJECT. This does not apply to publications of a scientific or technical nature. For the purposes of advertising, separate advertisements in each of the official languages shall be addressed to the appropriate provincial publications simultaneously.

9.0 GENERAL PROVISIONS

9.1 No member of the House of Commons, Senate or of the Legislative Assembly of the Province shall be admitted to any share or part of any contract, agreement or commission made pursuant to this Agreement or to any benefit to arise therefrom.

9.2 Both Canada and the Province recognize that the preservation and enhancement of environmental quality and effective land use policies are prerequisite to sound resource management.

9.3 All PROJECTS or groups of PROJECTS funded under this Agreement will comply with the requirements of the Federal Policy on Land Use and other federal and provincial statutes and regulations for environmental protection.

9.4 The party responsible for the delivery of a PROJECT shall indemnify and save harmless the other party, its officers and agents against all claims and demands of third parties in any way arising out of the implementation of such PROJECTS, except as such claims or demands relate to the act or negligence of any officer, employee or agent of the other party.

9.5 Nothing in this Agreement is to be construed as authorizing one party to contract or to incur an obligation on behalf of the other or to act as agent for the other.

9.6 All work in respect of PROGRAMS and PROJECTS shall be subject to and carried out in accordance with relevant labour legislation and collective agreements and such other conditions as may be agreed upon between Canada and the Province.

IN WITNESS WHEREOF, this agreement has been executed on behalf of Canada by the Minister of Agriculture and on behalf of the Province by the Minister of Agriculture.

ON THIS DAY OF 1984,

IN THE PRESENCE OF: GOVERNMENT OF CANADA

_____ _____

Witness Minister of Agriculture

ON THIS DAY OF 1984,

IN THE PRESENCE OF: GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND

_____ _____

Witness Minister of Agriculture

SCHEDULE 'A'

FUNDING ALLOCATION SUMMARY

(000,000 DOLLARS)

Program Description	Cost-Shared Total	Cost-Shared Prov.	Cost-Shared Fed.	Direct Delivery Prov.	Direct Delivery Fed.	Total Commitments Prov.	Total Commitments Fed.	Total Agreement
1. Soil and Water Conservation and Management					4		4	4
2. Productivity Enhancement					4		4	4
3. Technology Development					4		4	4
4. Market Development					3		3	3
5. Livestock and Crop Health					3		3	3
6. Extension				13		13		13
7. Extension Support	10.0	2.0	8*	—	—	2.0	8*	10.0
TOTAL	10.0	2.0	8*	13	18	15.0	26	41.0

NOTES

1. The overall cost-sharing ratio is 63% Federal, 37% Provincial.
2. The cost-sharing ratio in the Cost-Shared Program is 80% Federal, 20% Provincial.

* Federal payments for the Cost-Shared Program will be $2.25M in each of 1984/85, 1985/86 and 1986/87 and $1.25M in 1987/88.

SCHEDULE 'B' - PROGRAM DETAILS

Background

In 1981, agriculture accounted for 14 percent of Prince Edward Island's gross domestic product. Agri-food businesses contributed 51 percent of the value added and 40 percent of the employment in the manufacturing sector. Some 6,500 people are employed in primary agriculture and another 1,180 in food processing. Together these account for 16 percent of the total employment in Prince Edward Island. In addition, agriculture supports a large and varied farm supply and service sector. The Federal and Provincial economic development strategy for the Province attaches a high priority to the agricultural sector which has prospects for long-term, self-sustainable growth.

The Federal Government has supported agri-food development in Prince Edward Island through a range of A-base programming and programs under the Comprehensive Development Plan (1969-1984) and the Federal Development Strategy (ending March 1984). By March 1984, some $89.9M will have been spent under the CDP and FDS in the sector on a broad front. During this period, the Province has spent $156.5M in agricultural programming.
The programs supported by these expenditures have contributed significantly to substantial improvements in the Prince Edward Island agri-food sector in the 1969-1984 period. Annual net farm income for the period 1979-83 in 1981 constant dollars was $51M--a 46 percent increase over the $35M in 1981 dollars experienced in the period 1965-69. Physical output increased by 33 percent in the same period.
Opportunities for further improvement exist; it is these opportunities in swine, cattle, potatoes, forages and cereals which this Agreement addresses.

Swine and Cattle

Sales of swine and cattle contribute almost 30 percent of farm cash receipts. The demand for market hogs is expected to increase by one-third and the demand for "A" grade beef carcasses by one quarter. Without improvements to livestock productivity and livestock feed costs, producers cannot remain competitive and a major opportunity will be lost. Productivity improvements during the period of 1984/89 in the livestock sector could, with required incremental and complementary programming, increase farm cash receipts by $25M.

Production of slaughter cattle and market hogs will increase when producers have confidence that real net returns will be adequate on a long-term basis. Hog production costs can be reduced if the farmers use genetically superior breeding stock, if they control and/or eliminate disease and if they use more effective business and production management techniques. In beef, net returns to farmers can be increased by raising more cattle to an "A" grade finish and to the market's prescribed narrow weight range through the use of improved bloodlines and improved feeding and management practices.

Cereals and Forages

Prince Edward Island is a net importer of cereal grains for livestock feed purposes, producing only 85 percent of its current needs. Sufficient forages are presently grown for domestic consumption, and a small export market for hay is emerging. These crops constitute 70 to 80 percent of the finishing costs in livestock production. In Atlantic Canada, Prince Edward Island has the strongest base for grain production. The expansion of local cereal grain production to meet regional livestock feed requirements (quantity and quality) and continued sales and shipment off-Island will not affect feed grain prices overall and will reduce the total dollars required for federal feed grain transportation assistance. Prince Edward Island can also benefit from improvements in the production and marketing of forages. The realization of all these opportunities would mean a minimum $3.1M (does not reflect increase in livestock numbers) increase in gross farm receipts in the period 1984/89.

The key to increased production and improved product quality and marketing is better management (selection of species, seeding and harvesting dates, plant nutrition, disease and pest control, on-farm storage and improved sensitivity to market requirements). In addition, measures to improve and protect soil productivity through such improvements as drainage, ditching, and erosion control to reduce production costs and improve yields will be implemented.

Potatoes

The acreage of potatoes in Prince Edward Island has grown by 37 percent in the past 10 years, and it now accounts for 45 percent of farm cash receipts. Prince Edward Island has gained a reputation in domestic and international markets for superior quality potatoes. The producers grow approximately 70 percent of their crop to the standards of a seed crop. The inspection of the crop for seed status has ensured a healthier potato for the

market place. However, less than 15 percent of the crop is sold as seedstock; the rest is sold as tablestock or to the processing industry. Prince Edward Island can expand market share both domestically and internationally by remaining price competitive and by promoting its quality image; however, seedstock sales demand priority for the following reasons:

a) large stocks of seed quality potatoes are readily available and are being sold as tablestock or for processing;

b) the premium for seedstock over tablestock is approximately $2.25 per 50 kg bag;

c) Prince Edward Island can improve its superior disease status and image in the market place.

The expansion of market share and penetration of new markets will be dependent on the maintenance and improvements of Prince Edward Island's superior disease status and lower unit cost of production so that marketing agents can remain competitive while ensuring adequate producer returns. The lowering of unit cost of production will result from improved varieties and production techniques, improved soil and water management, and an improved understanding of diseases which attack potatoes in storage. The realization of these opportunities would mean an approximate $23M increase in Prince Edward Island's gross farm receipts in the period 1984-89.

Constraints

The principal constraints to achieving these opportunities in livestock, potatoes, and cereals and forages are: (a) increasing soil erosion, (b) seasonal excess water, (c) deficiencies in marketing information and infrastructure, (d) lack of technology well adapted to the region, (e) lags in the adoption of existing technologies by producers and others in the sector, and (f) a lack of information basic to the economic analysis of production and marketing alternatives.

a) Soil Erosion

Nearly all the Prince Edward Island soils which are under cultivation are low in organic matter and have only a weakly developed structure. In certain areas of the Island where potatoes are grown intensively, producers have become oriented to a potatoes-grain or potatoes-forage crop rotation. This type of crop rotation means that the soil

is ploughed and planted approximately two years out of three, and the soils are not well covered by plants in the early spring, late fall and winter. The combination of lack of ground cover much of the year and weakly structured soils means that erosion is occurring more frequently and at a greater rate. Soil losses of five and six times the "permissible" loss of 5 tons/acre are common in some areas. Removal of top soil in these amounts means substantial losses in previously applied fertilizer and lime. The remaining soil is much less favourable as a site for plant growth and yields may decrease. This problem most seriously affects soils used for potato and cereal production and is of sufficient magnitude to threaten the long-term viability of the potato and livestock feed industries in Prince Edward Island.

b) Seasonal Excess Water

Typically, Prince Edward Island soils consist of a friable, weakly structured upper layer of varying depth over dense glacial till. The till substantially impedes the drainage of water internally so that in periods of excess moisture, many fields are waterlogged. This field condition affects cropping by delaying planting, drowning out planted crops and delaying harvest. It also creates a micro-climate suitable for the build up of disease, both in the soil and the above ground portion of the crop. This usually means a substantially reduced yield and a disease presence in the crop which may reduce quality. As a consequence, growers of potatoes, cereals and forages realize a higher cost of production, and livestock feeders are impacted with higher feed costs.

c) Deficiencies in Marketing Information and Infrastructure

Approximately 80 percent of total farm income (1982) was generated from produce which is not supply managed. Much of Prince Edward Island's agricultural output is sold in small amounts in intensely competitive and distant markets. Producers are not fully knowledgeable about alternative markets or the quality/continuity requirements of various markets into which there is an opportunity to penetrate or expand. Many on-farm storages are inadequate for potatoes and cereals with the result that product quality is sometimes low, or products may have to be sold on a depressed price market.

Improved producer knowledge of market options and systems, market information and market presentation are essential to realizing increased sales volume and increased prices. Modernizing and retrofitting farm storage would improve the quality and extend the marketing period for potatoes and cereals. Presently, deficiencies in marketing information and infrastructure are impeding increased sales and profitability of potatoes, cereals and forages, and livestock.

d) Lack of Technology Well Adapted to the Region

The region's potential in cereals has yet to be fulfilled as a result of a lack of varieties and management practices to cope adequately with the climate, soil and disease factors which prevail. Better adapted varieties of cereals and better disease control in this crop would lead to reduced feed costs and improved livestock profitability. Improved understanding and control of potato diseases, both in the growing crop and storage, would make the potato more attractive in all markets while increasing production, decreasing culls, resulting in increased net returns to the producer. Agricultural technology must compliment the soils, climate and production practices of a region before adoption by producers will occur.

e) Lags in Adapting Existing Technologies

The relatively slow rate at which modern farming technology is adopted by livestock and crop producers weakens the competitive position of Island producers. As a result, potential productivity increases are missed and potential farm profits are not realized. Rapid adoption in the agri-food sector is encouraged by technology appraisals and examination under the specific soil and climate conditions faced by producers. Demonstrations and recommendations based on the results of these appraisals and trials not only increase the producers' awareness of more suitable technological alternatives but also reduce the risks associated with adopting innovative practices. Furthermore, leadership in the industry itself will be strengthened by programs to which farmers can address themselves for assistance in their own technology appraisals. The adoption of new technology to reduce costs, increase yields or improve quality is an important part of efforts to improve the competitive position of Prince Edward Island farmers in livestock, livestock feeds and potatoes.

f) Lack of Economic Analysis of Production and Marketing Opportunities

Producers are faced with many alternative opportunities in both production and marketing, which lead to similar production results but may vary significantly in potential net returns. A comparison of these alternative opportunities, given the variation in input costs and market returns and the range of production choices, is complex and beyond the capacity of farmers without appropriate analytic tools. The provision of these comparisons and the demonstration of economic analysis to the Prince Edward Island producer, in a way which can easily be understood, will contribute to productivity increases and improved net returns. All sectors of the industry will be affected, but particularly the livestock, cereals and forages, and potatoes.

PROGRAM PROPOSALS

These constraints will be addressed by five program strategies which combine programs delivered directly by Agriculture Canada with programs delivered directly by the Prince Edward Island Department of Agriculture and with a cost-shared extension education program delivered by the Prince Edward Island Department of Agriculture. These programs will be coordinated through the Management Committee. Federally, programs will be coordinated through the Prince Edward Island Federal Coordinating Committee.

Federal Directly Delivered Programs:

1. Soil and Water Conservation and Management;
2. Productivity Enhancement;
3. Technology Development;
4. Market Development;
5. Livestock and Crop Health.

1. Soil and Water Conservation and Management

Assistance will be provided to producers and private sector organizations for the installation of improved soil and water conservation and management practices. Improved soil and water management will result in immediate yield increases. Combined with improved quality, the result is lasting lower unit costs of production.

Objectives:

a) Reduce soil erosion to "permissible" limits, particularly in the intensely cropped areas of potato production;

b) Control soil water so that timely planting and harvesting are possible.

2. Productivity Enhancement

Assistance will be provided to producers and private sector organizations for the evaluation and demonstration of technology that will increase the quality, improve the productivity and decrease the unit cost of production of potatoes, cereals and forages, beef and swine. The introduction of new technology will help improve the quality (genetic improvement and reduction in disease level) and reduce the production cost of crops and livestock marketed.

Assistance will also be provided to examine management alternatives available to producers and to make the information available to producers and extension people.

Objectives:

a) Increase yields and decrease the unit cost of production for cereals, forages and potatoes;

b) Increase the quality of the potatoes moving to all markets by improving the harvesting and storage of the crop;

c) Improve the productivity of swine and cattle operations by demonstrating improved housing and feeding techniques, by adopting improved livestock genetics and by adopting improved practices relating to reproductive physiology;

d) Perform the economic analysis of production alternatives and make the information available to producers and extension people, particularly with respect to beef and swine, cereals and forages and potatoes.

3. Technology Development

Assistance will be provided to individuals and organizations in the private sector and educational institutions to develop (a) better adapted cereal and forage varieties, (b) improved management practices for potato production and storage, (c) a system of intensive cereal management, and (d) crop management practices which reduce soil erosion. Agriculture Canada may also use some of these funds itself to achieve program objectives.

Objectives:

a) Increase yields and decrease the unit cost of production for cereals, forages and potatoes;

b) Increase the quality of the potatoes moving to all markets by improving the harvesting and storage of the crop.

4. Market Development

Assistance will be provided to individuals and organizations in the private sector to develop market information and strategy, promotional material and activities, and modernize the handling, storing and distribution systems of the Prince Edward Island agri-food sector. These items are not covered by current marketing programs of Agriculture Canada but are necessary to improve the quality, image and market acceptability of Prince Edward Island breeding stock (cattle, swine and potatoes), livestock feeds (grain and hay) and produce for processing (slaughter class livestock and potatoes).

Objectives:

a) Develop the agri-food sector through the support of marketing initiatives which hold the potential for increased returns to the primary producer;

b) Improve the physical capability of the agri-food industry to handle, store and distribute quality products in a market effective manner;

c) Develop an improved capability among producers to make sound marketing decisions based on an increased knowledge of market requirements and conditions;

d) Accelerate the development of the agri-food sector through the design and implementation of promotional activities complementary to existing federal and provincial programs.

5. Livestock and Crop Health

Assistance will be provided to producers, veterinarians, private sector organizations and educational institutions for additional infrastructure and preventative programs to ensure the maintenance and improvement of Prince Edward Island's superior disease status in livestock and potatoes. Improved management practices to reduce the incidence of disease will be demonstrated. Agriculture Canada may also use some of these funds itself to achieve program objectives.

Objectives:

a) Improve the quality of swine, cattle and potato seed stock to achieve greater market acceptability and earn higher prices.

b) Lower the unit cost of production through the elimination of efficiency reducing diseases.

Provincial Direct Delivery Program

Within the terms of this Agreement, the Province's effort in agricultural extension programming will complement the programming efforts of Canada through the five program strategies identified earlier.

The Province and Canada agree that coordinated directly delivered programs and appropriate cost-shared programming will be utilized to overcome the stated constraints and to achieve the major objectives.

Agricultural extension is fundamentally an educational process delivered to rural people and farm families in conjunction with support services. The resulting improved knowledge base enables farm operators to manage resources more effectively, thus helping to improve standards of living and quality of life. The process of extension involves working with individuals and groups in identifying needs and interests and following through with appropriate support services, information and skill training so operators can make decisions appropriate to their family, commodity, farm and industry needs.

The Province will provide extension services in support of the agreed upon objectives between the Province and Canada and, in particular, will focus the resources committed in this Agreement to address constraints presently impeding the progress of agricultural development in the Province.

Both Parties recognize that there will be three streams to the development programming: programs directly delivered by Canada, those delivered by the Province and a cost-shared program. All three of these levels will be integrated to address the needs of the agricultural industry within the terms of the sectoral Agreement.

Extension support services will therefore be provided to all essential aspects of the programming within the Agreement.

Extension Services within the sectoral Agreement will have a primary focus on five (5) obvious major opportunity areas:

1) Potatoes
2) Cattle
3) Swine
4) Cereals
5) Forages

and will address constraints and opportunities across commodity lines including and focusing upon:

1) Soil and Water Conservation and Management
2) Productivity Enhancement
3) Technology Development
4) Market Development
5) Livestock and Crop Health

Implicit in the above selection of targets is the understanding that opportunities and constraints other than those listed which occur during the life of the agreement will be addressed by adjusting programs and supports as required. However, major thrusts will be in the above numerated areas.

Specifically, the Province will provide extension support that will be "results orientated" and in direct support of stated objectives.

Major areas for extension inputs will include:

	Extension Inputs	Results/Outputs
A)	Land Management	- land management planning - reduced soil erosion - seasonal excess water reduction
B)	Market Development	- increased market information - improved marketing infra-structures - increased export marketing
C)	Potatoes	- improved disease control - increased rate of technology transfer - international market expansion
D)	Swine	- improved disease control - productivity improvements - output increase - genetic improvement
E)	Cattle	- improved disease control - genetic improvement - grade A marketing increase - productivity improvements - farm business management improvements (beef) - technology adoption
F)	Cereals	- improved marketing systems - technology adoption - productivity increases - market expansion
G)	Forages	- market development - technology adoption - productivity increases
H)	Other Appropriate Commodity Opportunities	- market development - product volume increases - technology adoption

The agricultural extension component of the strategy for agricultural development recognizes two fundamental efforts that are prerequisites to the attainment of success in this Agreement. These two efforts are i) farm business management and ii) market development.

The idea contained within farm business management is that the industry must be made aware of the variety of options, alternatives, techniques, services and management equipment currently available. Projects and services that illustrate, make available and demonstrate these techniques, options and services will permit producers to make management decisions supportive of the goals of the family business unit. The Province will provide, through its extension programming, a major "results orientated" program of farm business management support.

The Province recognizes that the development of market led opportunities will be essential for agricultural development in the second half of the 1980's.

Market development initiatives are required to complement and ensure that efforts in production are efficiently and effectively marketed. Marketing and market development will receive the same support and commitment that has traditionally been given to production..

The Province recognizes the importance and has taken steps in support of marketing. Much more needs to be undertaken.

The Province believes that it, as an Island, has a unique opportunity to produce and market a wide range of superior agricultural products.

Through integrated Federal and Provincial directly delivered and cost-shared programming, this Agreement will allow opportunities to be identified, constraints removed and new markets developed.

Cost-shared programming is an integral and important component of this development Agreement. It provides both parties to this Agreement with an excellent opportunity to jointly and cooperatively deal with issues that alone neither party could or would be able to adequately address.

Cost-Shared Program

The cost-shared program will support nonsalary and benefit costs of the Province's directly delivered extension program which is part of this Agreement.

While specific project expenditures require approval by the Management Committee, it is envisioned that the cost-shared program will cover, but not be limited to, such things as extension staff travel and supplies, the evaluation of production and marketing alternatives, the evaluation and installation of information systems (hardware and software) for use by extensionists, the preparation and publication of technical information, extension staff training, the conduct of selected production and marketing demonstrations by extension staff and the provision of equipment and supplies for analytic services. Eligibility of a project or cost in any federal program will make the project or cost ineligible in this cost-shared program.

Canada

Prince Edward Island

AGRICULTURE SUBSIDIARY AGREEMENT

BACKGROUNDER

Federal programs under the Canada-PEI Subsidiary Agreement on Agri-Food Development under the ERDA include:

Soil and Water Conservation and Management - A total of $4 million in assistance will be provided to producers and private sector organizations for the installation of improved soil and water conservation and management practices to reduce soil erosion to "permissible" limits, particularly in the intensely cropped areas of potato production, and control seasonal excess water for timely planting and harvesting.

Productivity Enhancement - A total of $4 million in assistance will be provided to producers and private sector organizations for the evaluation and demonstration of technology that will increase the quality, improve the productivity and decrease the unit cost of production of potatoes, cereals and forages, beef and swine. The introduction of new technology will help improve the quality (genetic improvement and reduction in disease level) and reduce the production cost of crops and livestock.

Technology Development - A total of $4 million in assistance will be provided to individuals and organizations in the private sector and educational institutions to develop (a) better adapted cereal and forage varieties, (b) improved management practices for potato production and storage, (c) a system of intensive cereal management, and (d) crop management practices which reduce soil erosion. Agriculture Canada may also use some of these funds.

Market Development - A total of $3 million in assistance will be provided to individuals and organizations in the private sector to develop market information and strategies, promotional material and activities, and modernize the handling, storing and distribution systems of the Prince Edward Island agri-food sector. These items are not covered by current marketing

programs of Agriculture Canada but are necessary to improve the quality, image and market acceptability of Prince Edward Island breeding stock (cattle, swine and potatoes), livestock feeds (grain and hay) and produce for processing (slaughter-class livestock and potatoes).

Livestock and Crop Health - A total of $3 million in assistance will be provided to producers, veterinarians, private sector organizations and educational institutions for additional infrastructure and preventative programs to ensure the maintenance and improvement of Prince Edward Island's superior disease status in livestock and potatoes. Improved management practices to reduce the incidence of disease will be demonstrated. Agriculture Canada may also use some of these funds.

The Prince Edward Island Department of Agriculture's programs under the Canada-PEI Sub-Agreement on Agri-food Development under the ERDA emphasize agricultural extension. These will complement Canada's programs.

Extension programs will focus on opportunities in potatoes, cattle, swine, cereals, forages and other appropriate commodity areas. Major areas to be addressed include:

Land Management - Efforts will be concentrated on land management planning, reduced soil erosion, and reduction of seasonal excess water.

Market Development - Emphasis will be placed on improving market infrastructures, increased market information, and increased export marketing.

Potatoes - Extension services will support improved disease control, increased rate of technology transfer, and international market expansion.

Swine - The focus will be on improved disease control, productivity improvements, output increase and genetic improvement.

Cattle - Support in improved disease control, genetic improvement, grade A marketing increase, productivity improvements, farm business management and technology adoption will be provided.

Cereals - The focus will be on market expansion, productivity increases, technology adoption, and improved marketing systems.

Forages - Support in market develoment, technology adoption and increases in productivity will be provided.

OTHER APPROPRIATE COMMODITY OPPORTUNITIES: Emphasis will be placed on market development, product volume increases and technology adoption.

The $10 million cost-shared funds (Canada, 80%; PEI, 20%) will be used to support the provincial extension program and will include: development of human resources through advanced technology, evaluation and demonstration of production and marketing alternatives, and provision of equipment and supplies for analytic services.